



Transportation

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Transportation

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	5,203,400	9,768,100	9,768,100	5,203,400	5,203,400
Continuing Appropriation	1,894,400				
Total General Fund	7,097,800	9,768,100	9,768,100	5,203,400	5,203,400
Restricted Funds					
Balance Forward	163,598,500	1,557,100	2,199,600	4,549,700	5,192,200
Current Receipts	85,822,300	82,836,700	82,932,100	372,036,500	82,910,000
Non-Revenue Receipts	-800				
Fund Transfers				-662,900	-468,000
Total Restricted Funds	249,420,000	84,393,800	85,131,700	375,923,300	87,634,200
Federal Funds					
Balance Forward	22,200				
Current Receipts	871,769,600	692,652,400	715,547,900	692,652,400	715,547,900
Total Federal Funds	871,791,800	692,652,400	715,547,900	692,652,400	715,547,900
Road Fund					
Regular Appropriation	1,103,457,100	1,199,441,300	1,206,918,300	1,163,041,000	1,181,619,900
Surplus Expenditure Plan	28,578,100				
Current Year Appropriation	12,805,700				
Total Road Fund	1,144,840,900	1,199,441,300	1,206,918,300	1,163,041,000	1,181,619,900
Highway Bonds					
Balance Forward	232,141,599	367,619,400	379,769,400		
Current Receipts	80,410,901	23,290,000	14,170,000	75,000,000	
Non-Revenue Receipts	150,000,000	290,000,000			
Total Highway Bonds	462,552,500	680,909,400	393,939,400	75,000,000	
TOTAL SOURCE OF FUNDS	2,735,703,000	2,667,165,000	2,411,305,400	2,311,820,100	1,990,005,400
EXPENDITURES BY CLASS					
Personnel Cost	377,446,500	425,663,100	443,169,900	395,708,900	405,957,000
Operating Expenses	237,537,500	265,321,400	267,011,100	262,513,400	264,881,700
Grants, Loans or Benefits	203,656,700	192,278,300	190,761,200	189,361,800	183,429,600
Debt Service	182,533,000	173,507,200	175,736,900	207,662,100	216,744,700
Capital Outlay	1,378,500	5,709,100	5,546,200	5,264,200	5,465,600
Construction	1,728,601,100	1,222,716,900	1,204,539,600	1,246,117,500	907,434,900
TOTAL EXPENDITURES	2,731,153,300	2,285,196,000	2,286,764,900	2,306,627,900	1,983,913,500
EXPENDITURES BY FUND SOURCE					
General Fund	7,097,800	9,768,100	9,768,100	5,203,400	5,203,400
Restricted Funds	244,870,300	82,194,200	82,032,400	370,731,100	81,542,300
Federal Funds	871,791,800	692,652,400	715,547,900	692,652,400	715,547,900
Road Fund	1,144,840,900	1,199,441,300	1,206,918,300	1,163,041,000	1,181,619,900
Highway Bonds	462,552,500	301,140,000	272,498,200	75,000,000	
TOTAL EXPENDITURES	2,731,153,300	2,285,196,000	2,286,764,900	2,306,627,900	1,983,913,500
EXPENDITURES BY UNIT					
General Administration and Support	65,988,700	77,159,700	78,850,100	69,243,100	70,098,400
Aviation	11,672,000	9,607,600	9,582,600	4,212,000	4,187,000
Debt Service	166,840,900	150,113,400	152,378,400	150,238,600	159,362,500
Highways	2,009,599,200	1,636,902,900	1,711,863,500	1,682,511,400	1,428,707,200
Public Transportation	62,767,400	47,560,000	47,611,500	45,963,300	45,992,700

Revenue Sharing	390,939,000	333,487,400	255,836,400	332,668,000	252,908,400
Vehicle Regulation	23,346,100	22,830,000	23,847,400	21,791,500	22,657,300
Transfer to Capital Projects		7,535,000	6,795,000		
TOTAL EXPENDITURES	2,731,153,300	2,285,196,000	2,286,764,900	2,306,627,900	1,983,913,500

The Transportation Cabinet had its origin as an agency of the Commonwealth of Kentucky in 1912 when the General Assembly established the Department of Highways. Legislation in 1974 consolidated the Departments of Highways, Motor Transportation, and Aeronautics, plus certain transportation-related functions of the Department of Public Safety and the Department of Revenue. Subsequently, the 1982 General Assembly established the Transportation Cabinet as the successor to the Department of Transportation, and it assumed all of the duties formerly associated with the Department.

The Transportation Cabinet, under KRS 12.250, is responsible for maintaining and improving transportation services in the Commonwealth. All modes of transportation are addressed by the Cabinet, including air transportation, railroads, waterways, public transit, and highways. The Secretary of Transportation, who is appointed by the Governor, heads the organization. The duties and responsibilities of the Cabinet are found in Titles XV and XVI of the Kentucky Revised Statutes.

The Cabinet receives funding from the state Road Fund, proceeds from bonds issued by the Kentucky Turnpike Authority, and federal aid apportionments for highways. Other revenue sources are agency receipts, non-highway federal aid, the state General Fund, and most recently a federal fund leveraging mechanism titled Grant Anticipation Revenue Vehicle (GARVEE) bonds. The revenue components of the Road Fund are the motor fuels tax, motor vehicle usage taxes, license and privilege taxes, toll road receipts, interest income, and miscellaneous departmental fees, permits, and sales.

Seven major budget units comprise the Transportation Cabinet: General Administration and Support, Air Transportation, Public Transportation, Revenue Sharing, Highways, Vehicle Regulation, and Debt Service. Organizationally, the agency is divided into five departments and fourteen offices. The departments, each headed by a commissioner directly responsible to the Secretary, are Administrative Services, Aviation, Vehicle Regulation, Intergovernmental Programs, and Highways. The remaining units are the Office of Public Affairs, the Office of Budget and Fiscal Management, the Office of Transportation Delivery, Office of Legal Services, the Office for Business and Occupational Development, the Office of Inspector General, the Office of Legislative and Intergovernmental Affairs, and the Office of Personnel Management. These units are responsible to the Office of the Secretary. The following offices report to the State Highway Engineer in the Department of Highways: the Office of Program Planning and Management, the Office of Project Development, the Office of Project Delivery, and the Office of System Preservation and Operations. The Office of Transportation Enhancements and the Office of Rural and Secondary Roads are responsible to the Commissioner of the Department of Interdepartmental Programs.

Policy

Executive Order 2005-1253, dated November 16, 2005, authorized the organizational units of the Transportation Cabinet identified above.

On December 20, 2005, the Consensus Forecasting Group established the Road Fund revenue estimate for the fiscal biennium 2006-2008. For fiscal year 2007, the estimate is \$1,223,125,400 and it is \$1,239,614,400 for fiscal year 2008.

Policy initiatives contained in the Executive Budget include the issuance of \$75 million in Turnpike Authority Economic Development Bonds with the entire issue dedicated to the Revenue Sharing programs. The \$75 million in bonds recommended for the Revenue Sharing programs is divided between two units with \$50 million proposed for the County Road Aid program and \$25 million dedicated to the Municipal Road Aid program. In addition to the \$75 million Economic Development Bond issue, the Executive Budget recommends \$290 million in GARVEE bonds to support reconstruction and major widening of interstates I-64, I-65, and I-75, with the debt service supported by federal highway funds.

The Governor's budget recommendation also provides for the usage of Toll Credits to match federal highway funds and authorizes the continuation of the Cash Management program initially adopted by the 2000 General Assembly and renewed subsequently.

The Transportation Cabinet understands the importance of maintaining the Commonwealth's roadway infrastructure and takes responsibility through the Governor's budget recommendation to emphasize the need to provide funding to meet the

challenges facing the traveling public. The Executive Budget proposes funding of nearly \$60 million in additional Road Fund support over the biennium for maintaining the state's bridge and roadway infrastructure.

The Executive Budget provides expenditure authority to the following program areas:

	Fiscal Year 2007	Fiscal Year 2008
Beginning Balance	1,493,500	0
Official Revenue Estimate	1,223,125,400	1,239,614,400
Non-Revenue Receipts	0	0
Total Available Road Fund	1,224,618,900	1,239,614,400
Road Fund Appropriations		
Operating Budget		
Transportation Cabinet	1,163,041,000	1,181,619,900
Justice and Public Safety Cabinet	48,974,900	48,881,500
Finance and Administration Cabinet	1,718,000	1,718,000
Kentucky State Treasury	250,000	250,000
Homeland Security	350,000	350,000
Capital Budget		
Transportation Cabinet	9,035,000	6,795,000
Finance and Administration Cabinet	1,250,000	0
Total Road Fund Appropriations	1,224,618,900	1,239,614,400

**Transportation
General Administration and Support**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	26,900	26,900	26,900	26,900	26,900
Current Receipts	54,600	26,000	26,000	26,000	26,000
Total Restricted Funds	81,500	52,900	52,900	52,900	52,900
Road Fund					
Regular Appropriation	65,934,100	77,133,700	78,824,100	69,217,100	70,072,400
Total Road Fund	65,934,100	77,133,700	78,824,100	69,217,100	70,072,400
TOTAL SOURCE OF FUNDS	66,015,600	77,186,600	78,877,000	69,270,000	70,125,300
EXPENDITURES BY CLASS					
Personnel Cost	29,473,700	38,925,300	40,621,000	32,304,200	33,164,800
Operating Expenses	28,596,800	30,348,400	30,348,400	29,052,900	29,052,900
Grants, Loans or Benefits	29,000	29,000	29,000	29,000	29,000
Debt Service	7,328,100	7,297,800	7,292,500	7,297,800	7,292,500
Capital Outlay	388,100	386,600	386,600	386,600	386,600
Construction	173,000	172,600	172,600	172,600	172,600
TOTAL EXPENDITURES	65,988,700	77,159,700	78,850,100	69,243,100	70,098,400
EXPENDITURES BY FUND SOURCE					
Restricted Funds	54,600	26,000	26,000	26,000	26,000
Road Fund	65,934,100	77,133,700	78,824,100	69,217,100	70,072,400
TOTAL EXPENDITURES	65,988,700	77,159,700	78,850,100	69,243,100	70,098,400
EXPENDITURES BY UNIT					
Secretary	19,083,700	26,141,800	27,045,900	20,795,500	21,252,900
Administrative Services	46,905,000	51,017,900	51,804,200	48,447,600	48,845,500
TOTAL EXPENDITURES	65,988,700	77,159,700	78,850,100	69,243,100	70,098,400

The General Administration and Support appropriation unit provides management and administrative capabilities, policymaking, and efficient day-to-day operations. This unit includes the Office of Secretary, the Department of Administrative Services, and nine offices.

The Office of Secretary encompasses the Office of the Secretary of Transportation, the Office of Budget and Fiscal Management, the Office for Business and Occupational Development, the Office of Legal Services, the Office of Public Affairs, the Office of Transportation Delivery, the Office of Inspector General, the Office of Legislative and Intergovernmental Affairs, and the Office of Personnel Management. These units provide leadership, management, and staff support to the Transportation Cabinet and provide the Secretary the managerial tools necessary to operate the Cabinet. The Office of the Secretary is the central point of contact with the general public and external organizations. The Office of Budget and Fiscal Management manages the planning and use of the Cabinet's financial resources. The Office of Business and Occupational Development conducts programs to provide women and minorities an equal opportunity for employment and to compete for highway construction contracts. The Office of Legal Services provides the agency with the required legal representation before administrative boards and all levels of the court system. The Office of Public Affairs is responsible for the Cabinet's communications with employees, the news media, and the general public. The Office of Transportation Delivery facilitates transportation services for the Non-Emergency Medical Transportation program, the Vocational Rehabilitation program, and the Office for the Blind Transportation Services program. The Office of Inspector General is to provide the Cabinet a mechanism for both employees and Kentuckians to report incidences of wrongdoing regarding the Cabinet's service. The Office of Legislative and Intergovernmental Affairs is responsible for drafting legislation and acts as the Cabinet's liaison with the General Assembly. The Office of Personnel Management is responsible for the Cabinet's human resources policies and personnel utilization and development programs.

The Department of Administrative Services includes Administration, Toll Facilities, Property and Supply Services, Purchases, and Technology. The Administration program is directed by the Commissioner of Administrative Services to perform the administrative functions of the Cabinet and implement policies and programs as set forth by the Secretary. The Toll Facilities Division operates the collection facilities on toll roads. The Division of Property and Supply Services provides the supplies and equipment needed to operate the Cabinet's offices, laboratories, and garages. This Division maintains the Cabinet's real property, which totals some 1,100 buildings located throughout the state. Debt service on the new transportation office building and parking garage in Frankfort is included in the Division's budget. The Division of Purchases procures commodities and services for the Cabinet and coordinates the administrative processes with other divisions relating to procurement activities. The Division of Technology is responsible for all information technology functions within the Cabinet and serves as the Cabinet's liaison with the Commonwealth Office of Technology.

Policy

The Department of Administrative Services, Division of Property and Supply, is the unit responsible for the Road Fund debt service on the Transportation Cabinet office building and parking structure. The Executive Budget provides Road Fund debt service for the building and parking structure totaling \$7,297,800 in fiscal year 2007 and \$7,292,500 in fiscal year 2008.

Executive Order 2005-1254, dated November 16, 2005 transferred the Division of Fleet Management from the Transportation Cabinet, Department of Administrative Services to the Finance and Administration Cabinet.

The Executive Budget provides Road Fund support totaling \$218,000 in fiscal year 2007 and \$218,000 in fiscal year 2008 for the recently initiated Business Scholarship program. The budget recommendation requests to fund 20 interim scholarship positions with the emphasis on minority college students in the agency's effort to recruit minorities into business management positions.

The budget recommendation provides Road Fund totaling \$350,000 in fiscal year 2007 and \$350,000 in fiscal year 2008 to implement an all-encompassing asset management solution titled ARCHIBUS/FM. It is an enterprise wide mechanism that provides one-stop data entry and reporting functions; streamlines the fixed asset reporting processes; and provides opportunities to bar code agency assets and products.

**Transportation
Aviation**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation		2,968,000	2,968,000		
Total General Fund		2,968,000	2,968,000		
Restricted Funds					
Balance Forward	5,142,300	100,000	100,000	100,000	100,000
Current Receipts	6,000,000	4,665,000	4,640,000	4,665,000	4,640,000
Fund Transfers				-468,000	-468,000
Total Restricted Funds	11,142,300	4,765,000	4,740,000	4,297,000	4,272,000
Federal Funds					
Current Receipts	629,700	15,000	15,000	15,000	15,000
Total Federal Funds	629,700	15,000	15,000	15,000	15,000
Road Fund					
Regular Appropriation		1,959,600	1,959,600		
Total Road Fund		1,959,600	1,959,600		
TOTAL SOURCE OF FUNDS	11,772,000	9,707,600	9,682,600	4,312,000	4,287,000
EXPENDITURES BY CLASS					
Personnel Cost	1,813,500	2,426,900	2,551,100	1,207,600	1,232,500
Operating Expenses	264,400	648,800	586,700	264,400	264,400
Grants, Loans or Benefits	9,360,100	3,636,300	3,549,200	2,740,000	2,690,100
Debt Service	234,000	936,000	936,000		
Capital Outlay		1,959,600	1,959,600		
TOTAL EXPENDITURES	11,672,000	9,607,600	9,582,600	4,212,000	4,187,000
EXPENDITURES BY FUND SOURCE					
General Fund		2,968,000	2,968,000		
Restricted Funds	11,042,300	4,665,000	4,640,000	4,197,000	4,172,000
Federal Funds	629,700	15,000	15,000	15,000	15,000
Road Fund		1,959,600	1,959,600		
TOTAL EXPENDITURES	11,672,000	9,607,600	9,582,600	4,212,000	4,187,000
EXPENDITURES BY UNIT					
Air Regulatory	89,500	89,500	89,500	89,500	89,500
Air Development	11,582,500	9,518,100	9,493,100	4,122,500	4,097,500
TOTAL EXPENDITURES	11,672,000	9,607,600	9,582,600	4,212,000	4,187,000

In accordance with KRS Chapter 183, the Transportation Cabinet supports the Commonwealth's Aviation program. There are two programs within the Aviation unit, the Air Regulatory program and the Airport Development program. The Air Regulatory program is responsible for inspecting and determining the safety and efficiency of approximately 150 airport and heliport facilities in the state. Pursuant to KRS 183.861, the Kentucky Airport Zoning Commission protects the navigable airspace within the state by evaluating applications for construction, issuing permits, and maintaining updated airport zoning maps. The Commission is attached to the Air Regulatory Program for administrative purposes.

The Airport Development program provides for administration, planning and management of airport construction, and maintenance of local airports. Airport Development also provides technical and financial assistance to the state's 62 public use airports, including updating and distributing the state aeronautical charts and airport directories.

KRS 183.525 provides the funding authority to operate the Aviation program. Since July 2000, the sales and use tax collected from the sale of aviation jet fuel funds the operation.

Policy

The Executive Budget suspends the provisions of KRS 183.525(5) during the 2006-2008 biennium; therefore, funds accruing to the Kentucky Aviation Economic Development Fund may support the administrative and operating costs of the Aviation program.

The Governor's budget recommendation provides \$468,000 in fiscal year 2007 and \$468,000 in fiscal year 2008 to be transferred to the General Fund to support the debt service on the \$5 million Airport Relocation Assistance Bonds authorized in House Bill 267 by the 2005 Regular Session of the General Assembly.

**Transportation
Debt Service**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Road Fund					
Regular Appropriation	166,840,900	150,113,400	152,378,400	150,238,600	159,362,500
Total Road Fund	166,840,900	150,113,400	152,378,400	150,238,600	159,362,500
TOTAL SOURCE OF FUNDS	166,840,900	150,113,400	152,378,400	150,238,600	159,362,500
EXPENDITURES BY CLASS					
Debt Service	166,840,900	150,113,400	152,378,400	150,238,600	159,362,500
TOTAL EXPENDITURES	166,840,900	150,113,400	152,378,400	150,238,600	159,362,500
EXPENDITURES BY FUND SOURCE					
Road Fund	166,840,900	150,113,400	152,378,400	150,238,600	159,362,500
TOTAL EXPENDITURES	166,840,900	150,113,400	152,378,400	150,238,600	159,362,500
EXPENDITURES BY UNIT					
Toll Road Lease Rental	7,825,500	205,100	80,000	205,100	80,000
Resource Recovery Lease Rental	38,838,600	90,000	90,000	90,000	90,000
Economic Development Lease Rental	120,176,800	149,818,300	152,208,400	149,943,500	159,192,500
TOTAL EXPENDITURES	166,840,900	150,113,400	152,378,400	150,238,600	159,362,500

The Debt Service Program is the budget entity through which lease rental payments are made on the revenue bonds the Commonwealth has issued to finance major highway construction projects.

KRS Chapter 175 authorizes the Turnpike Authority of Kentucky to issue revenue bonds to construct, maintain, repair, and operate designated roads of the Toll Road System, the Resource Recovery Road System, and the Economic Development Road System. The first of these systems, the Toll Road System, was constructed during the mid-1960s and early 1970s. Most of the Toll Road bonds have now been retired, with the last remaining series to be paid off in 2007. The Resource Recovery Road System began in the late 1970s, and most of the system's roads were built during the 1980s. The most significant project was KY 80. The Economic Development Road System was established and funded through four series of bond issues: a \$300 million issue sold in 1984; a relatively small sale of \$36.6 million in 1987; a \$600 million program which was implemented in bond sales during 1990, 1993, and 1995. The projects constructed with the \$600 million series were designated as "Revitalization Projects" and are nearly complete. The 1998 General Assembly authorized \$200 million of Economic Development Road Revenue Bonds and the bonds were sold in 1999. The most recent issue was Economic Development Road Bonds authorized by the 2005 Regular Session of the General Assembly and totaled \$450 million. The bond projects associated with the 2005 series were split among two budget units: Highways and Revenue Sharing. Bond funds totaling \$300 million were authorized to support projects in the adopted Six Year Highway Plan, and the remaining \$150 million issue was authorized to support the County Road Aid and Municipal Aid programs.

Through lease agreements with the Turnpike Authority of Kentucky, the Transportation Cabinet provides funds to pay the Toll Road, Resource Recovery Road, and most of the Economic Development Road revenue bonds. In the Debt Service Program, funds are reserved exclusively for semiannual lease rental payments to meet the principal and interest requirements of these outstanding bonds, along with any administrative costs of the Turnpike Authority.

Policy

The Executive Budget recommends \$75,000,000 in Economic Development Road Bonds to be issued in the latter part of fiscal year 2007 with the first scheduled full year debt service payment occurring in fiscal year 2008 totaling \$6,984,000.

The bond proceeds are divided between two programs within the Revenue Sharing budget unit with \$50 million recommended for the County Road Aid program and \$25 million recommended for the Municipal Aid program.

The Debt Service Acceleration Fund account, pursuant to KRS 175.505, is suspended in the Executive Budget during the 2006-2008 biennium. The funding made available by this suspension is directed to be used in the State Funded Construction program.

**Transportation
Highways**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	156,237,300	130,000	130,000	3,122,600	3,122,600
Current Receipts	74,263,700	71,842,700	72,686,700	361,842,500	72,686,700
Total Restricted Funds	230,501,000	71,972,700	72,816,700	364,965,100	75,809,300
Federal Funds					
Current Receipts	814,821,700	652,147,700	675,013,800	652,147,700	675,013,800
Total Federal Funds	814,821,700	652,147,700	675,013,800	652,147,700	675,013,800
Road Fund					
Regular Appropriation	626,268,500	686,772,500	691,664,800	668,521,200	681,006,700
Surplus Expenditure Plan	28,578,100				
Total Road Fund	654,846,600	686,772,500	691,664,800	668,521,200	681,006,700
Highway Bonds					
Balance Forward	156,617,500	292,619,400	379,769,400		
Current Receipts	5,935,000	23,290,000	14,170,000		
Non-Revenue Receipts	150,000,000	290,000,000			
Total Highway Bonds	312,552,500	605,909,400	393,939,400		
TOTAL SOURCE OF FUNDS	2,012,721,800	2,016,802,300	1,833,434,700	1,685,634,000	1,431,829,800
EXPENDITURES BY CLASS					
Personnel Cost	328,173,800	365,240,900	379,977,100	344,124,200	352,961,500
Operating Expenses	152,135,200	178,593,800	179,630,200	177,656,500	179,113,100
Grants, Loans or Benefits	3,539,100	3,539,100	3,539,100	3,539,100	3,539,100
Debt Service	8,130,000	15,160,000	15,130,000	50,125,700	50,089,700
Capital Outlay	990,400	3,362,900	3,200,000	4,877,600	5,079,000
Construction	1,516,630,700	1,071,006,200	1,130,387,100	1,102,188,300	837,924,800
TOTAL EXPENDITURES	2,009,599,200	1,636,902,900	1,711,863,500	1,682,511,400	1,428,707,200
EXPENDITURES BY FUND SOURCE					
Restricted Funds	227,378,400	71,842,700	72,686,700	361,842,500	72,686,700
Federal Funds	814,821,700	652,147,700	675,013,800	652,147,700	675,013,800
Road Fund	654,846,600	686,772,500	691,664,800	668,521,200	681,006,700
Highway Bonds	312,552,500	226,140,000	272,498,200		
TOTAL EXPENDITURES	2,009,599,200	1,636,902,900	1,711,863,500	1,682,511,400	1,428,707,200
EXPENDITURES BY UNIT					
Research	4,029,500	5,152,000	5,152,000	5,152,000	5,152,000
Construction	1,661,668,000	1,237,306,600	1,300,476,500	1,295,392,600	1,031,291,600
Maintenance	251,606,500	295,566,300	303,999,100	285,804,900	293,380,000
Engineering Administration	13,122,700	13,476,400	14,206,700	13,418,500	14,143,600
Planning	13,775,200	14,867,700	15,238,800	14,867,700	15,238,800
Highway Operations	22,978,500	26,672,700	28,147,000	24,014,700	24,857,800
Equipment Services	42,418,800	43,861,200	44,643,400	43,861,000	44,643,400
TOTAL EXPENDITURES	2,009,599,200	1,636,902,900	1,711,863,500	1,682,511,400	1,428,707,200

The Highways appropriation unit is the largest program in the Transportation Cabinet. There are seven programs in the Department of Highways: Research, Construction, Maintenance, Engineering Administration, Highway Planning, Highway

Operations, and Equipment Services. The Construction program is divided into three subprograms: Bond Funded Construction, State Funded Construction, and Federal Funded Construction.

The Department of Highways is responsible for the construction, reconstruction, and maintenance of the State Primary Road System through authority granted by KRS 177.020. The Department is headed by a commissioner who is appointed by the Governor on recommendation of the Secretary of Transportation. This agency administers all of the programs within the Highways appropriation unit.

Combined travel by all motor vehicles over Kentucky's 79,000 miles of roads and streets equals over 46 billion vehicle-miles. The State Primary Road System carries about 85 percent of all traffic. This network consists of approximately 27,500 miles of interstate highways, resource recovery roads, parkways, economic development roads, primary, secondary, rural, and unclassified roads, and approximately 9,000 state maintained bridges. Kentucky's interstate system, consisting of 762 miles, carries 25 percent of all travel.

**Transportation
Highways
Research**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Federal Funds					
Current Receipts	2,860,000	3,718,000	3,718,000	3,718,000	3,718,000
Total Federal Funds	2,860,000	3,718,000	3,718,000	3,718,000	3,718,000
Road Fund					
Regular Appropriation	1,169,500	1,434,000	1,434,000	1,434,000	1,434,000
Total Road Fund	1,169,500	1,434,000	1,434,000	1,434,000	1,434,000
TOTAL SOURCE OF FUNDS	4,029,500	5,152,000	5,152,000	5,152,000	5,152,000
EXPENDITURES BY CLASS					
Personnel Cost	3,739,500	4,862,000	4,862,000	4,862,000	4,862,000
Operating Expenses	290,000	290,000	290,000	290,000	290,000
TOTAL EXPENDITURES	4,029,500	5,152,000	5,152,000	5,152,000	5,152,000
EXPENDITURES BY FUND SOURCE					
Federal Funds	2,860,000	3,718,000	3,718,000	3,718,000	3,718,000
Road Fund	1,169,500	1,434,000	1,434,000	1,434,000	1,434,000
TOTAL EXPENDITURES	4,029,500	5,152,000	5,152,000	5,152,000	5,152,000

The Research program is primarily a problem-solving service available to the Department of Highways. The program provides studies of traffic safety and operations, pavement mechanics and performance, materials characteristics and behavior, and transportation policies. The Research function is mandated by the Commonwealth's use of federal highway funds in accordance with Title 23 of the Federal Code which requires the use of 25 percent of funds for highway research and development. The Transportation Cabinet partners with the University of Kentucky Transportation Center to carry out research functions. The partnership conducts workshops on highway maintenance and management; publishes newsletters; provides technical assistance; and maintains a lending library, including both written and audio-visual materials.

The Research program funds the Kentucky Transportation Center at one-tenth of one percent of the motor fuels tax collections, not to exceed \$190,000 per year from the State Road Fund. An additional \$100,000 per year from the Revenue Sharing appropriation unit is transferred to the Kentucky Transportation Center.

Policy

The Executive Budget provides for a \$100,000 transfer each fiscal year from the Revenue Sharing program to fund the Kentucky Transportation Center at the annual rate of \$290,000.

The Governor's budget recommendation provides \$858,000 in additional Federal Funds each year of the biennium to support an anticipated increase in Kentucky's apportionment of federal-aid Highway State Planning and Research funding.

The Executive Budget provides \$264,500 in additional Road Fund support in each year of the biennium to match the State Planning and Research Federal Funds referenced in the preceding policy statement.

**Transportation
Highways
Construction**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	150,490,500			259,300	259,300
Current Receipts	28,976,700	24,000,000	24,000,000	314,000,000	24,000,000
Total Restricted Funds	179,467,200	24,000,000	24,000,000	314,259,300	24,259,300
Federal Funds					
Current Receipts	801,845,000	637,011,700	659,583,200	637,011,700	659,583,200
Total Federal Funds	801,845,000	637,011,700	659,583,200	637,011,700	659,583,200
Road Fund					
Regular Appropriation	339,484,500	350,154,900	344,395,100	344,380,900	347,708,400
Surplus Expenditure Plan	28,578,100				
Total Road Fund	368,062,600	350,154,900	344,395,100	344,380,900	347,708,400
Highway Bonds					
Balance Forward	156,617,500	292,619,400	379,769,400		
Current Receipts	5,935,000	23,290,000	14,170,000		
Non-Revenue Receipts	150,000,000	290,000,000			
Total Highway Bonds	312,552,500	605,909,400	393,939,400		
TOTAL SOURCE OF FUNDS	1,661,927,300	1,617,076,000	1,421,917,700	1,295,651,900	1,031,550,900
EXPENDITURES BY CLASS					
Personnel Cost	143,845,500	152,341,500	156,160,500	144,496,800	144,497,700
Operating Expenses	7,023,600	7,337,600	7,337,600	7,023,600	7,023,600
Grants, Loans or Benefits	3,539,100	3,539,100	3,539,100	3,539,100	3,539,100
Debt Service	8,130,000	15,160,000	15,130,000	50,125,700	50,089,700
Construction	1,499,129,800	1,058,928,400	1,118,309,300	1,090,207,400	826,141,500
TOTAL EXPENDITURES	1,661,668,000	1,237,306,600	1,300,476,500	1,295,392,600	1,031,291,600
EXPENDITURES BY FUND SOURCE					
Restricted Funds	179,207,900	24,000,000	24,000,000	314,000,000	24,000,000
Federal Funds	801,845,000	637,011,700	659,583,200	637,011,700	659,583,200
Road Fund	368,062,600	350,154,900	344,395,100	344,380,900	347,708,400
Highway Bonds	312,552,500	226,140,000	272,498,200		
TOTAL EXPENDITURES	1,661,668,000	1,237,306,600	1,300,476,500	1,295,392,600	1,031,291,600
EXPENDITURES BY UNIT					
Bond Funded Construction	312,552,500	226,140,000	272,498,200		
State Funded Construction	331,997,700	313,973,300	308,213,500	308,199,300	311,526,800
Federal Funded Construction	1,017,117,800	697,193,300	719,764,800	987,193,300	719,764,800
TOTAL EXPENDITURES	1,661,668,000	1,237,306,600	1,300,476,500	1,295,392,600	1,031,291,600

The Construction program is the largest single funding component within the Highways appropriation unit. It encompasses all construction and major reconstruction of roadways in the State Primary Road System. The Construction Program is divided into three sub-programs: Bond Funded Construction, State Funded Construction, and Federal Funded Construction.

Several different road systems constructed in the Commonwealth over the last 40 years have used Bond Funded Construction. General Obligation Bonds were sold to finance the original construction of the Interstate System. The Turnpike Authority of Kentucky sold revenue bonds to fund construction of the toll road system that crisscrosses the state. Resource Recovery Bonds were sold in the late 1970s for construction of the Resource Recovery Road System, a network of highways over which coal resources could be efficiently hauled. The Turnpike Authority sold bonds in 1984, 1987, 1990, 1993, 1995, 1999, and most recently 2005 for projects identified as part of the Economic Development Road System. All of the roads constructed using proceeds from Turnpike Authority bonds are built by the Cabinet on behalf of the Authority, and then are leased to the Cabinet until the bonds are retired. At that time they are transferred to the Cabinet and become a part of the state highway system.

The State-Funded Construction program provides for many highway improvement needs, emergency needs, industrial access roads, parkway and primary road pavement rehabilitation, and other projects for which federal funding is not available. The state resurfacing program is a part of this sub-program area and provides for resurfacing of roads in the state maintained highway system.

The Federal Construction program addresses the major construction, reconstruction, and rehabilitation needs for nearly 12,000 miles of interstate, primary, secondary, urban systems, and Appalachian routes across the state. This funding is provided under Titles 23 and 40 of the US Code.

Policy

The Executive Budget provides additional Road Fund support for state resurfacing projects totaling \$13,082,200 in fiscal year 2007 and \$20,000,000 in fiscal year 2008. The budget recommendation also provides approximately \$180,000,000 annually in Road Fund support for state construction projects in the 2006-2008 Biennial Highway Construction program, and provides funding for the Highway Construction Contingency Account at levels of nearly \$38,000,000 million annually.

The Governor's budget recommendation provides approximately \$40,000,000 annually in Road Fund support to match federal highway funds in the Federally Funded Construction program. The Transportation Cabinet also seeks authorization to utilize Toll Credits for matching Federal Funds when it is deemed necessary or more economical for maximizing federal highway dollars. Toll credits are credits earned by a state for building roads to interstate specifications and paid for with state dollars. Kentucky's toll roads were built to interstate specifications and paid for with state funds, thereby allowing Kentucky to earn Toll Credits.

The budget recommendation authorizes the Secretary of Transportation to continue the Cash Management program, formerly known as the Pre-financing Road Projects program authorized by the 2000-2002, 2002-2004, and most recently the 2004-2006 Appropriations Acts. Since its inception, the Cash Management program has expedited projects in the Biennial Highway Construction Plan by managing Road Fund cash, while ensuring that project and fund balances are sufficient to satisfy expenditures within the appropriations enacted.

The Executive Budget provides for Grant Anticipation Revenue Vehicle (GARVEE) bonds totaling \$290,000,000 in fiscal year 2007. GARVEE bonds are a financing mechanism authorized by the federal government, which allows a state to issue bonds for eligible federal aid projects and to use federal funds to pay the debt service. Debt service on the bonds will be paid from federal highway funds in the Federally Funded Construction program. The debt service is projected to be \$34,963,000 in each year of the biennium. These funds will be "direct" GARVEE bonds and will be used on interstate projects I-64, I-75, and I-65. The I-64 project will widen to six lanes from the Snyder Freeway in Jefferson County toward Shelbyville. The I-65 project will widen to six lanes from the Tennessee state line to Bowling Green. The I-75 project will widen to six lanes from the current six lane section in Northern Scott County to the current six lane section south of KY 22 in Grant County.

**Transportation
Highways
Maintenance**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Restricted Funds					
Current Receipts	5,751,700	3,981,500	4,043,300	3,981,500	4,043,300
Total Restricted Funds	5,751,700	3,981,500	4,043,300	3,981,500	4,043,300
Road Fund					
Regular Appropriation	245,854,800	291,584,800	299,955,800	281,823,400	289,336,700
Total Road Fund	245,854,800	291,584,800	299,955,800	281,823,400	289,336,700
TOTAL SOURCE OF FUNDS	251,606,500	295,566,300	303,999,100	285,804,900	293,380,000
EXPENDITURES BY CLASS					
Personnel Cost	126,221,500	144,282,200	151,873,000	134,884,900	141,197,800
Operating Expenses	123,166,200	149,432,600	150,274,600	149,068,500	150,330,700
Construction	2,218,800	1,851,500	1,851,500	1,851,500	1,851,500
TOTAL EXPENDITURES	251,606,500	295,566,300	303,999,100	285,804,900	293,380,000
EXPENDITURES BY FUND SOURCE					
Restricted Funds	5,751,700	3,981,500	4,043,300	3,981,500	4,043,300
Road Fund	245,854,800	291,584,800	299,955,800	281,823,400	289,336,700
TOTAL EXPENDITURES	251,606,500	295,566,300	303,999,100	285,804,900	293,380,000

Kentucky has invested approximately \$15 billion in highway infrastructure that comprises right-of-way, roadways, and bridges. KRS 176.050 assigns the responsibility for operating and maintaining this highway infrastructure to the Department of Highways. The Maintenance program's role is to operate and maintain the roadways, bridges, rest areas, and traffic control devices on all state-maintained highways. Two organizational units under the Office of System Preservation and Operations administer the Maintenance program: the Division of Maintenance, the Division of Traffic Operations.

The Division of Maintenance responsibilities are broken down into the following primary categories:

The Roadway Preservation program utilizes personnel in the twelve highway districts to maintain 15,308 miles of state primary highways and 12,132 miles of rural secondary highways. The Pavement and Operations Management personnel inspect and evaluate pavement conditions on 27,440 miles of state-maintained roads, determine strategies for improvement, estimate funding needs, and recommend annual priorities.

The Bridge Preservation program is responsible for all state-maintained bridges, except those on the Rural Secondary system. Kentucky has 6,103 bridges of which 27 are Ohio River crossings and 74 are in-state bridges over major lakes and rivers.

Revolving Maintenance serves as a materials revolving mechanism for refurbishing damaged guardrail. Damaged guardrail is shipped to Frankfort, straightened and re-galvanized, and is placed back into service as needs arise.

Capital Improvements is a subset of the Division of Maintenance for coordinating with the Kentucky State Police vehicle accident data in order to establish priorities for installing new guardrail in locations it does not currently exist.

The Rest Area Operations/Maintenance Program provides sanitary and accessible restroom facilities and other convenient services for motorists traveling through the state. There are 24 rest area and welcome center locations and two truck rest haven locations operated and maintained through contracts with nonprofit agencies that hire and train individuals with disabilities. The remaining three locations are operated and maintained by Cabinet personnel. All of the facilities

are open 24 hours per day, seven days per week. The Office for the Blind maintains the vending operations at 10 locations, and the remaining vending operations are maintained by Cabinet personnel or by contractors.

The Division of Traffic Operations is responsible for the installation and maintenance of traffic control devices on over 27,000 miles of highways. This unit also maintains a traffic accident surveillance program with the objective of identifying locations having an abnormally high accident rate. The duties of this unit are set out in KRS 176.050, KRS 177.020, KRS 177.830-890, and KRS 177.905-990.

Policy

Executive Order 2005-1253, dated November 16, 2005, reorganized the Department of Highways, and transferred the Division of Transportation System Management (formerly known as the Transportation Operations Center) to the Maintenance program.

The Executive Budget recognizes the importance of maintaining the Commonwealth's current roadway infrastructure and has therefore provided additional Road Fund support totaling nearly \$60 million over the biennium for maintenance materials, roadside safety and maintenance, pavement management, ditching, roadway striping, signs, bridge materials, contract bridge repairs, traffic signals, signal system operations, 20 interim positions for snow and ice removal, and funding for a SAFE patrol where district staff travel the state's main arteries and provide roadside assistance to victims of vehicle accidents and broken down vehicles. These efforts illustrate the Cabinet's emphasis on keeping the motoring public moving safely and efficiently over the roads of Kentucky.

**Transportation
Highways
Engineering Administration**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Road Fund					
Regular Appropriation	13,122,700	13,476,400	14,206,700	13,418,500	14,143,600
Total Road Fund	13,122,700	13,476,400	14,206,700	13,418,500	14,143,600
TOTAL SOURCE OF FUNDS	13,122,700	13,476,400	14,206,700	13,418,500	14,143,600
EXPENDITURES BY CLASS					
Personnel Cost	11,331,200	13,468,600	14,199,900	13,452,700	14,178,800
Operating Expenses	3,689,400	2,632,400	2,631,400	2,590,400	2,589,400
Capital Outlay	186,300	170,800	170,800	170,800	170,800
Construction	-2,084,200	-2,795,400	-2,795,400	-2,795,400	-2,795,400
TOTAL EXPENDITURES	13,122,700	13,476,400	14,206,700	13,418,500	14,143,600
EXPENDITURES BY FUND SOURCE					
Road Fund	13,122,700	13,476,400	14,206,700	13,418,500	14,143,600
TOTAL EXPENDITURES	13,122,700	13,476,400	14,206,700	13,418,500	14,143,600

There are nine divisions organized under the State Highway Engineer's Office.

The Division of Construction supervises highway construction projects, providing administrative support for central office and district construction projects. It also assists Division of Materials staff in sampling and testing materials used in construction projects.

The Division of Materials establishes standards and controls relating to the quality of materials for the construction, maintenance, and operation of highways and bridges. The Division performs soil and geological engineering required for the design, construction, and maintenance of roads and bridges.

The Division of Bridge Design develops and prepares contract plans for all highway structures, as well as any special structures that the Transportation Cabinet builds as part of Kentucky's system of roads. The Division is also responsible for overseeing the County Bridge Replacement Program, which replaces bridges on locally maintained roadways of less than 13-ton load capacity and less than 100 feet in length.

The Division of Highway Design, in conjunction with the district design offices, is responsible for the required design activities of the Cabinet's Six-Year Plan projects, including the preparation, assembly, and reproduction of construction plans for a project's award.

The Division of Professional Services advertises for engineering services, administers the Cabinet's prequalification process for consultant engineering services, and contracts with consulting engineers.

The Division of Environmental Analysis ensures the Cabinet is compliant with environmental laws and regulations.

The Division of Right of Way and Utilities acquires property required for the construction and reconstruction of highways. This function involves obtaining title reports, performing appraisals and appraisal reviews, conducting negotiations, providing relocation assistance, facilitating property management, and initiating condemnation procedures on properties affected by proposed projects.

The Division of Program Management is responsible for developing Kentucky's Biennial Six-Year Highway Plan.

The Division of Planning provides the day-to-day administration and support for personnel involved in the Highway Planning program activities, including management, clerical support, training, and other overhead expenditures.

**Transportation
Highways
Planning**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Federal Funds					
Current Receipts	10,116,700	11,418,000	11,712,600	11,418,000	11,712,600
Total Federal Funds	10,116,700	11,418,000	11,712,600	11,418,000	11,712,600
Road Fund					
Regular Appropriation	3,658,500	3,449,700	3,526,200	3,449,700	3,526,200
Total Road Fund	3,658,500	3,449,700	3,526,200	3,449,700	3,526,200
TOTAL SOURCE OF FUNDS	13,775,200	14,867,700	15,238,800	14,867,700	15,238,800
EXPENDITURES BY CLASS					
Personnel Cost	9,958,800	11,244,300	11,615,600	11,259,900	11,631,200
Operating Expenses	3,666,900	3,473,900	3,473,700	3,458,300	3,458,100
Construction	149,500	149,500	149,500	149,500	149,500
TOTAL EXPENDITURES	13,775,200	14,867,700	15,238,800	14,867,700	15,238,800
EXPENDITURES BY FUND SOURCE					
Federal Funds	10,116,700	11,418,000	11,712,600	11,418,000	11,712,600
Road Fund	3,658,500	3,449,700	3,526,200	3,449,700	3,526,200
TOTAL EXPENDITURES	13,775,200	14,867,700	15,238,800	14,867,700	15,238,800

The Planning program is responsible for administrative and technical support and implements transportation planning activities statewide. The program is charged with a variety of statewide planning initiatives including: rail planning, carpooling, alternative fuel, bikeway, pedway, and ferry operations. In addition, it coordinates the Kentucky Scenic Highway and Byway System, manages the traffic data collection and processing equipment, maintains the Highway Information System, and coordinates air quality conformity with several state and federal agencies.

Highway Planning evaluates state-maintained streets and highways to ensure that available federal and state funds are utilized to maximum efficiency. In cooperation with the Area Development Districts (ADD), it acquires roadway centerline locations and associated data for all public roads in Kentucky. It maintains an inventory of all roadway classifications and prepares city, county, and state road maps for sale and distribution. The program also furnishes statistics required by the Federal Highway Administration and state and local government decision-makers.

Metropolitan Planning maintains and distributes federal funding to nine Metropolitan Planning Organizations (MPOs) to implement continuing, comprehensive, and cooperative planning process, which is mandated by federal law. The MPOs study the impact of transportation operations in urbanized areas concerning congestion management, air quality, environmental issues, public involvement, land use and development, and public transportation.

Area Development Districts Assistance administers a regional planning and public participation process in the state's 15 ADDs as part of the Cabinet's overall statewide transportation planning process, as required by 23 USC and 23 CFR 450. The Cabinet contracts with each ADD for activities in support of the regional and statewide planning process, including public involvement, data collection, analysis, identification of needs, project recommendations, regional prioritization of projects, and technical assistance and review.

Policy

Both Federal Funds and Road Fund supported match are included in the Executive Budget in order to take advantage of the recent enactment of the federal highway reauthorization act: Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU).

**Transportation
Highways
Highway Operations**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Road Fund					
Regular Appropriation	22,978,500	26,672,700	28,147,000	24,014,700	24,857,800
Total Road Fund	22,978,500	26,672,700	28,147,000	24,014,700	24,857,800
TOTAL SOURCE OF FUNDS	22,978,500	26,672,700	28,147,000	24,014,700	24,857,800
EXPENDITURES BY CLASS					
Personnel Cost	22,047,800	26,058,000	27,536,700	23,451,600	24,299,100
Operating Expenses	930,700	614,700	610,300	563,100	558,700
TOTAL EXPENDITURES	22,978,500	26,672,700	28,147,000	24,014,700	24,857,800
EXPENDITURES BY FUND SOURCE					
Road Fund	22,978,500	26,672,700	28,147,000	24,014,700	24,857,800
TOTAL EXPENDITURES	22,978,500	26,672,700	28,147,000	24,014,700	24,857,800

In accordance with KRS Chapter 176, the Highway Operations program provides leadership, management, and central administrative support and funding for central office and district operations for the Transportation Cabinet's Department of Highways. The Commissioner of Highways administers the Department, which governs the State Highway Engineer's Office, 14 divisions, and 12 district offices. In the 12 district offices, the District Highway Operations Office manages the road project functions and reports to the State Highway Engineer.

The State Highway Engineer's Office manages and coordinates the engineering functions of the Cabinet, reviews management, engineering, and personnel reports and recommendations from the engineering and professional divisions, staff and Deputy State Highway Engineers. In addition, the Office administers the Cabinet's Engineering Scholarship program and the Engineering Graduate Training program, coordinates the Research program, and manages special projects, such as the Louisville Bridges projects.

Contract procurement activities are also a part of the Highway Operations program and include prequalifying road contractors, advertising bids for road construction projects, awarding contracts, and issuing work orders and monitoring required contract provisions.

Policy

Road Fund support to maintain the Engineering Scholarship program is included in the Executive Budget. In addition, the Governor's budget recommendation provides an increase of \$75,000 annually to the scholarship program which results in approximately \$100 per month for each student in the program.

**Transportation
Highways
Equipment Services**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	5,746,800	130,000	130,000	2,863,300	2,863,300
Current Receipts	39,535,300	43,861,200	44,643,400	43,861,000	44,643,400
Total Restricted Funds	45,282,100	43,991,200	44,773,400	46,724,300	47,506,700
TOTAL SOURCE OF FUNDS	45,282,100	43,991,200	44,773,400	46,724,300	47,506,700
EXPENDITURES BY CLASS					
Personnel Cost	11,029,500	12,984,300	13,729,400	11,716,300	12,294,900
Operating Expenses	13,368,400	14,812,600	15,012,600	14,662,600	14,862,600
Capital Outlay	804,100	3,192,100	3,029,200	4,706,800	4,908,200
Construction	17,216,800	12,872,200	12,872,200	12,775,300	12,577,700
TOTAL EXPENDITURES	42,418,800	43,861,200	44,643,400	43,861,000	44,643,400
EXPENDITURES BY FUND SOURCE					
Restricted Funds	42,418,800	43,861,200	44,643,400	43,861,000	44,643,400
TOTAL EXPENDITURES	42,418,800	43,861,200	44,643,400	43,861,000	44,643,400

The mission of the Equipment Services program is to provide highway construction and maintenance equipment for use by the Department of Highways. The unit purchases and maintains all the Cabinet's trucks, heavy equipment, and various pieces of support machinery. This program provides its services through the central office garage in Frankfort and a network of 14 repair garages located throughout the state.

Policy

The Executive Budget provides additional Restricted Fund authority of \$1,500,000 in fiscal year 2007 and \$1,700,000 in fiscal year 2008 to compensate for the escalating cost of fuels.

Restricted Funds totaling \$4,051,000 in fiscal year 2007 and \$4,379,000 in fiscal year 2008 are provided in the budget recommendation to replace aged and unreliable heavy construction equipment.

Transportation
Public Transportation

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	5,203,400	6,800,100	6,800,100	5,203,400	5,203,400
Continuing Appropriation	1,894,400				
Total General Fund	7,097,800	6,800,100	6,800,100	5,203,400	5,203,400
Restricted Funds					
Current Receipts	508,900	555,700	577,800	555,700	555,700
Total Restricted Funds	508,900	555,700	577,800	555,700	555,700
Federal Funds					
Balance Forward	22,200				
Current Receipts	55,138,500	40,204,200	40,233,600	40,204,200	40,233,600
Total Federal Funds	55,160,700	40,204,200	40,233,600	40,204,200	40,233,600
TOTAL SOURCE OF FUNDS	62,767,400	47,560,000	47,611,500	45,963,300	45,992,700
EXPENDITURES BY CLASS					
Personnel Cost	1,686,300	1,588,700	1,640,200	1,570,200	1,589,900
Operating Expenses	179,800	176,600	176,600	176,600	176,600
Grants, Loans or Benefits	60,901,300	45,794,700	45,794,700	44,216,500	44,226,200
TOTAL EXPENDITURES	62,767,400	47,560,000	47,611,500	45,963,300	45,992,700
EXPENDITURES BY FUND SOURCE					
General Fund	7,097,800	6,800,100	6,800,100	5,203,400	5,203,400
Restricted Funds	508,900	555,700	577,800	555,700	555,700
Federal Funds	55,160,700	40,204,200	40,233,600	40,204,200	40,233,600
TOTAL EXPENDITURES	62,767,400	47,560,000	47,611,500	45,963,300	45,992,700
EXPENDITURES BY UNIT					
Public Transportation	61,321,300	46,421,500	46,450,900	44,824,800	44,854,200
Multi-Modal Transportation	937,200	582,800	582,800	582,800	582,800
Human Services Delivery	508,900	555,700	577,800	555,700	555,700
TOTAL EXPENDITURES	62,767,400	47,560,000	47,611,500	45,963,300	45,992,700

The Public Transportation appropriation unit is comprised of three programs: Public Transportation, Multi-Modal, and Human Services Transportation Delivery. The Public Transportation program offers technical and financial assistance to public transportation providers and the Metropolitan Planning Organizations throughout the state through the federal programs: Sections 5303, 5309, 5310, and 5311. Federal Funds, combined with General Fund, Restricted Funds, and local matching funds, allow public transit authorities to acquire buses and vans.

The Multi-Modal program assures that environmental, energy, safety, and economic impacts are considered in transportation decisions. Multi-Modal responsibilities include statewide rail planning, ferry operations, park and ride planning, and bicycle and pedestrian planning. The Multi-Modal program acquired the responsibility of statewide rail activities when Kentucky voters abolished the Railroad Commission by a constitutional amendment in 2000. These responsibilities include regulating rail carriers operating on 2,900 miles of track. In addition, the Multi-Modal unit is responsible for the Cabinet's Transportation Enhancement program which provides technical support for a variety of non-traditional projects including restoration of historic transportation facilities, bike and pedestrian facilities, and scenic beautification projects affecting the state's inter-modal transportation system.

The Human Service Transportation Delivery program is a partnership of the Transportation Cabinet, the Medicaid program, the Office for Vocational Rehabilitation, and the Office for the Blind. This partnership provides non-emergency medical transportation, jobs access transportation, and transportation to day care facilities.

Policy

The Executive Budget provides \$2,950,000 in both fiscal year 2007 and fiscal year 2008 to support the Non-Public School Transportation program.

The budget recommendation provides the use of Toll Credits to match Federal Funds for transit system's capital grants. Toll Credits are credits earned by states that construct state roads with state dollars to federal interstate specifications. Kentucky's toll roads are built to interstate specifications. Toll Credits substitute for actual cash required to match Federal Funds.

**Transportation
Revenue Sharing**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Road Fund					
Regular Appropriation	229,080,600	258,487,400	255,836,400	257,668,000	252,908,400
Current Year Appropriation	11,858,400				
Total Road Fund	240,939,000	258,487,400	255,836,400	257,668,000	252,908,400
Highway Bonds					
Balance Forward	75,524,099	75,000,000			
Current Receipts	74,475,901			75,000,000	
Total Highway Bonds	150,000,000	75,000,000		75,000,000	
TOTAL SOURCE OF FUNDS	390,939,000	333,487,400	255,836,400	332,668,000	252,908,400
EXPENDITURES BY CLASS					
Personnel Cost	2,870,500	3,066,000	3,147,700	2,935,100	2,971,100
Operating Expenses	46,443,900	47,139,100	47,654,600	47,139,100	47,654,600
Grants, Loans or Benefits	129,827,200	139,279,200	137,849,200	138,837,200	132,945,200
Construction	211,797,400	144,003,100	67,184,900	143,756,600	69,337,500
TOTAL EXPENDITURES	390,939,000	333,487,400	255,836,400	332,668,000	252,908,400
EXPENDITURES BY FUND SOURCE					
Road Fund	240,939,000	258,487,400	255,836,400	257,668,000	252,908,400
Highway Bonds	150,000,000	75,000,000		75,000,000	
TOTAL EXPENDITURES	390,939,000	333,487,400	255,836,400	332,668,000	252,908,400
EXPENDITURES BY UNIT					
County Road Aid	191,096,000	147,720,600	96,714,100	147,409,500	93,522,100
Rural Secondary	110,510,000	118,546,400	117,325,400	118,169,000	119,101,400
Municipal Aid	88,330,000	66,117,400	40,693,900	65,986,500	38,981,900
Energy Recovery	1,003,000	1,103,000	1,103,000	1,103,000	1,303,000
TOTAL EXPENDITURES	390,939,000	333,487,400	255,836,400	332,668,000	252,908,400

There are four components of the Revenue Sharing program: County Road Aid program, authorized by KRS 179.410-179.415; the Rural Secondary Aid program, authorized by KRS 177.320; the Municipal Road Aid program, authorized by KRS 177.365; and the Energy Recovery Road Fund program, authorized by KRS 177.977-177.990. Funding for each program is based on the amount of certain taxes or fees collected.

The County Road Aid program and Rural Secondary Aid program receive a portion of the state's motor fuels tax collections. The County Road Aid program receives 18.3 percent of motor fuels taxes. The County Road Aid program includes all of Kentucky's counties, municipalities, and qualified unincorporated urban areas. The Rural Secondary Aid program receives 22.2 percent of motor fuels taxes. These funds are used to repair and maintain rural and secondary roads. Funds for both programs are allocated through a formula known as the "formula of fifths," as stated in KRS 177.360. Each county receives a portion of the statewide total as follows: one-fifth is divided evenly among all counties, one-fifth is divided proportionately based on the amount of rural population in each county, one-fifth is distributed on the basis of rural road mileage in each county, and two-fifths is apportioned according to each county's share of the total land area in the state.

The Municipal Road Aid program is funded by 7.7 percent of motor fuels tax collections. Distribution is made through a formula based upon the population contained in each city or unincorporated urban area.

Forty percent of the revenues collected from extended vehicle weight fees support the Energy Recovery Road System. Funds are distributed to the counties for the county-maintained portion of that system. The fund distribution is based on (1) the ratio of miles of roads in each county within this system to the total system miles, and (2) the ratio of the total tons of coal transported over the roads in each county to the total tons reported. The Transportation Cabinet has the authority to expend the remaining 60 percent on the roads in the system.

Policy

The Executive Budget provides \$75 million in additional highway bonds to be issued in the latter part of fiscal year 2007 to support the County Road Aid program and the Municipal Road Aid program. The bonded indebtedness provides \$50 million to the County Road Aid program and \$25 million to the Municipal Road Aid program. One half of the bond proceeds will be distributed to the local governments on the formula basis currently in statutes. The other one-half of the issue will be made available to local governments on an application basis determined by the Transportation Cabinet.

The Executive Budget suspends the provisions of KRS 177.320(2) and reduces the Road Fund support to the County Road Aid program by \$4,656,000 in fiscal year 2008 which represents the program's proportional share of debt service on the \$50 million in highway bonds proposed in the budget.

The Governor's budget recommendation suspends KRS 177.365(1) and reduces the Road Fund support to the Municipal Aid program by \$2,328,000 in fiscal year 2008 which represents the program's proportional share of debt service on the \$25 million in highway bonds proposed in the budget.

The Executive Budget provides funding to the Kentucky Transportation Center to be increased \$100,000 above that provided in KRS 177.320(4). This funding is drawn from the Revenue Sharing programs in the same proportions as the motor fuel tax receipts are statutorily dedicated to those programs. The appropriation to the Kentucky Transportation Center is contained in the Department of Highways Research program.

**Transportation
Vehicle Regulation**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	2,192,000	1,300,200	1,942,700	1,300,200	1,942,700
Current Receipts	4,995,100	4,947,300	5,001,600	4,947,300	5,001,600
Non-Revenue Receipts	-800				
Fund Transfers				-194,900	
Total Restricted Funds	7,186,300	6,247,500	6,944,300	6,052,600	6,944,300
Federal Funds					
Current Receipts	1,179,700	285,500	285,500	285,500	285,500
Total Federal Funds	1,179,700	285,500	285,500	285,500	285,500
Road Fund					
Regular Appropriation	15,333,000	18,239,700	19,460,000	17,396,100	18,269,900
Current Year Appropriation	947,300				
Total Road Fund	16,280,300	18,239,700	19,460,000	17,396,100	18,269,900
TOTAL SOURCE OF FUNDS	24,646,300	24,772,700	26,689,800	23,734,200	25,499,700
EXPENDITURES BY CLASS					
Personnel Cost	13,428,700	14,415,300	15,232,800	13,567,600	14,037,200
Operating Expenses	9,917,400	8,414,700	8,614,600	8,223,900	8,620,100
TOTAL EXPENDITURES	23,346,100	22,830,000	23,847,400	21,791,500	22,657,300
EXPENDITURES BY FUND SOURCE					
Restricted Funds	5,886,100	4,304,800	4,101,900	4,109,900	4,101,900
Federal Funds	1,179,700	285,500	285,500	285,500	285,500
Road Fund	16,280,300	18,239,700	19,460,000	17,396,100	18,269,900
TOTAL EXPENDITURES	23,346,100	22,830,000	23,847,400	21,791,500	22,657,300
EXPENDITURES BY UNIT					
Commissioner	1,859,200	1,518,900	1,575,100	1,594,100	1,614,800
Drivers Licensing	9,748,200	9,770,900	10,640,000	9,331,400	10,012,200
Motor Carriers	2,502,300	2,831,300	2,997,800	2,597,000	2,696,300
Motor Vehicle Licensing	8,358,200	7,609,000	7,729,500	7,361,400	7,417,000
Driver's Safety	82,000	55,000	55,000	57,600	67,000
Motor Vehicle Commission	796,200	1,044,900	850,000	850,000	850,000
TOTAL EXPENDITURES	23,346,100	22,830,000	23,847,400	21,791,500	22,657,300

The Department of Vehicle Regulation encompasses the Commissioner's Office and the following divisions: Driver Licensing, Motor Carriers, Motor Vehicle Licensing, and Driver Safety. The Motor Vehicle Commission is also administratively attached to the Department.

Under KRS Chapters 186, 187, 189A, 218A, 281A, and KRS 159.051, the Division of Driver Licensing maintains driver history records for approximately three million drivers. The Division issues licenses to commercial drivers who meet statutory requirements. The Division also enforces driver license suspensions, revocations, and driver limitation programs. It operates State Traffic School programs.

The Division of Motor Carriers collects and processes fuel and highway use tax from commercial motor carriers, as authorized under KRS Chapter 138. Under KRS Chapter 186, it assigns apportioned license plates to interstate Kentucky motor carriers. In accordance with KRS Chapter 281, the Division qualifies all for-hire transportation within the state. It is also responsible for permitting and routing overweight and over-dimensional loads (KRS 189.270), maintaining a solid-waste permitting system (KRS 174.450), and permitting and licensing U-Drive-It rental and leasing operations.

The Division of Motor Vehicle Licensing provides for the titling and registration of motor vehicles and boats in accordance with KRS Chapters 186, 186A, and 235. It maintains the Automated Vehicle Information System (AVIS) and controls title distribution functions. Registration and title applications are initiated through local county clerks' offices. KRS 186.240(3) requires a new plate issuance every five (5) years for plates that do not expire annually. A fifty-cent (\$.50) fee for each reflectorized plate issued is retained in a Restricted Fund to pay for the new plates.

The Division of Driver Safety has its mission to reduce fatalities, injuries, and accidents on the state's high crash corridors. The division conducts several statewide media campaigns, such as Child Passenger Safety Week, Put the Brakes on Fatalities Day, and Work Zone Safety Awareness Week. The Cabinet coined the phrase "Drive Smart" and its mission is to educate and train drivers - young and old alike - to drive safely and be aware at all times when behind the wheel of a vehicle.

Pursuant to KRS Chapter 190, the Kentucky Motor Vehicle Commission licenses and regulates motor vehicle manufacturers, dealers, and salespersons. It is funded through license fees that are deposited into a Restricted Fund account.

Policy

The Executive Budget provides a current year (fiscal year 2006) Road Fund appropriation totaling \$947,300. The appropriation is necessary to fund \$412,200 for the inflationary costs of the digitized Photo Drivers License System and \$525,100 to subsidize the increases in salary and health insurance costs adopted by the 2005 Regular Session of the General Assembly but not funded in House Bill 267. In addition, \$10,000 is included to fund the programming costs associated with the "Salvage" or "Rebuilt Vehicle" title enacted in the 2005 session.

The Governor's budget recommendation provides additional Road Fund support totaling \$412,200 in fiscal year 2007 and \$869,300 in fiscal year 2008 to maintain the contract for the digitized Photo Drivers License System.

The Executive Budget provides \$350,000 in fiscal year 2007 and \$350,000 in fiscal year 2008 to upgrade computer equipment in 60 of the 120 County Court Clerk's offices for titling and registration of motor vehicles. In addition, \$10,000 is provided each year to support programming costs associated with any changes to vehicle titles over the next biennium.